

Message Text

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C O N F I D E N T I A L ROME 8650

LIMDIS GREENBACK

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: OSSOLA REPORT ON RESULTS OF IMF INTERIM COMMITTEE
MEETING JUNE 10-11, 1975

1. SUMMARY. BANK OF ITALY VICE DIRECTOR GENERAL OSSOLA
GAVE TREASATT JUNE 17 HIS IMPRESSIONS OF PRESENT STATE OF
PLAY CONCERNING EVENTUAL AGREEMENT ON MONETARY REFORM
PACKAGE. HE MENTIONED POSSIBLE COMPROMISE FORMULA AND
HOPED THAT MORE EFFICIENT PROCEDURES COULD BE ADOPTED AT
NEXT MEETING OF INTERIM COMMITTEE. END SUMMARY.

2. IMF QUOTAS. OSSOLA MENTIONED THAT G-10 MINISTERS HAD
ASKED G-10 DEPUTIES TO HOLD SPECIAL MEETING JUNE 10 IN ATTEMPT
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TO RESOLVE DISPUTE ON RE-ALLOCATION OF IMF QUOTAS AMONG

INDUSTRIAL COUNTRIES. HE HAD BEEN SKEPTICAL OF THIS INITIATIVE WHICH, IN FACT, HAD FAILED, ON GROUNDS THAT ISSUE WAS A POLITICAL ONE THAT ONLY MINISTERS COULD DECIDE. HE COULD NOT CLEARLY FORESEE HOW COMPROMISE MIGHT BE REACHED ON THIS ISSUE, BUT WONDERED WHETHER US MIGHT EVENTUALLY AGREE TO REDUCED QUOTA ON ASSUMPTION THAT WEIGHTED VOTING REQUIREMENT ON KEY ISSUES WOULD BE REDUCED FROM 80 PERCENT TO 85 PERCENT SO AS TO PRESERVE US VETO.

3. IMF FOLD. OSSOLA WAS QUITE OPTIMISTIC THAT COMPROMISE COULD BE REACHED ON QUESTION OF DISPOSAL OF IMF GOLD THROUGH PARTIAL RESTORATION TO ORIGINAL CONTRIBUTORS, PARTIAL SALE IN MARKET WITH PROFIT CHanneled TO LDC'S, AND ADOPTION OF ENABLING CLAUSE TO PERMIT BOARD OF EXECUTIVE DIRECTORS TO DECIDE LATER ON DISPOSAL OF REMAINDER OF IMF GOLD.

4. GOLD PURCHASES AND SALES IN MARKET. OSSOLA THOUGHT THAT THERE WAS STILL BASIC AGREEMENT THAT, DURING INTERIM PERIOD OF UP TO TWO YEARS, CENTRAL BANKS MIGHT PURCHASE AND SELL GOLD IN FREE MARKET, PROVIDED THAT THIS WOULD NOT RESULT IN ANY NET INCREASE IN OFFICIAL HOLDINGS.

5. GOLD TRADING AMONG CENTRAL BANKS. OSSOLA HAD BEEN SOMEWHAT SURPRISED THAT THIS ASPECT OF GOLD QUESTION HAD CREATED GREATEST DIFFICULTIES. HE, PERSONALLY, INTERPRETED US POSITION THAT ONE CENTRAL BANK COULD SELL GOLD TO ANOTHER ONLY IN "EMERGENCY" SITUATIONS AS MOTIVATED BY STRONG US DESIRE TO AVOID REVIVAL OF ROLE OF GOLD FOR OFFICIAL SETTLEMENTS. HE VIEWED THIS, ALONG WITH USG RELUCTANCE TO ELIMINATE LEGAL IMPEDIMENTS TO USE OF SDR'S, AS EVIDENCE OF US DESIRE TO CREATE STRONGER ROLE FOR DOLLAR IN REFORMED INTERNATIONAL MONETARY SYSTEM. SINCE ITALY IS LARGE HOLDER OF GOLD RESERVES, HE WAS SYMPATHETIC TO FRENCH POSITION.

6. EXCHANGE RATE SYSTEM. OSSOLA REPEATED HIS VIEW THAT THIS US-FRENCH DEBATE WAS LARGELY THEORETICAL AND THAT IT WAS NOT WISE OR NECESSARY TO ATTEMPT TO FORMALIZE AGREEMENT ON THIS ASPECT OF MONETARY SYSTEM IN VIEW OF GREAT UNCERTAINTIES

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IN EVOLUTION OF EXCHANGE RATE REGIME. HOWEVER, HE SEEMED RATHER SYMPATHETIC TO US VIEW IN FAVOR OF CONSIDERABLE FREEDOM TO OPT FOR FLOATING RATE.

7. FOLLOW-UP. OSSOLA SAID THAT AT JUNE 16 EC MINISTERS OF FINANCE MEETING, BELGIANS HAD PROPOSED THAT NEXT MEETING OF

INTERIM COMMITTEE LAST FOR TWO DAYS AND THAT IT BE PRECEDED BY MEETINGS OF G-10, BOTH AT MINISTERIAL AND AT DEPUTY LEVEL. EC WILL PROBABLY REQUEST THAT CHAIRMAN TURNER OF INTERIM COMMITTEE SCHEDULE TWO-DAY MEETING AND THAT CHAIRMAN OHIRA OF G-10 MINISTERS ALSO SCHEDULE PRIOR G-10 MEETING. OSSOLA SAID THAT HE WOULD BE PREPARED TO CONVENE G-10 DEPUTIES ON REQUEST EITHER OF G-10 CHAIRMAN OR OF INDIVIDUAL COUNTRY, BUT HE WAS HIGHLY SKEPTICAL THAT DEPUTIES WOULD BE IN POSITION TO RESOLVE ANY OF THESE ISSUES.

8. OSSOLA PERSONALLY BELIEVED THAT COMPROMISE CALLED FOR FRENCH TO ACCEPT US POSITION ON EXCHANGE RATE REGIME AND FOR US TO ACCEPT FRENCH POSITION ON TRADING IN GOLD AMONG CENTRAL BANKS. (OSSOLA WAS CONVINCED THAT, EVEN IF GIVEN THE RIGHT TO MAKE OFFICIAL SETTLEMENTS IN GOLD, CENTRAL BANKS, IN PRACTICE, WOULD NOT WISH TO DO SO.) HE WAS AWARE THAT EVERYONE AGREED THAT RESOLUTION OF VARIOUS MONETARY REFORM ISSUES MUST BE CONTAINED IN SINGLE PACKAGE. AS PRACTICAL MATTER, HE HOPED THAT CHAIRMAN TURNER COULD BEGIN NEXT MEETING OF INTERIM COMMITTEE WITH INTRODUCTION OF SOME KIND OF WORKING DOCUMENT TO FOCUS ATTENTION ON REACHING PRACTICAL COMPROMISE, THUS AVOIDING RECITATION OF INDIVIDUAL COUNTRIES' POSITIONS, WHICH ARE ALREADY WELL-KNOWN FROM PREVIOUS MEETINGS. VOLPE

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